

ADDITIONAL EXCEPTIONS OF NICOR GAS COMPANY

In addition to those matters addressed in argument in the Company's Brief on Exceptions, this Attachment B identifies additional Exceptions as submitted in proposed alternative language within Attachment A. These Exceptions include additional substantive Exceptions as well as suggested clarifications and edits that address typographical errors. Because these Exceptions are largely self-explanatory, and because the substantive issues and arguments underlying these Exceptions have already been thoroughly addressed in previous memoranda, Nicor Gas briefly outlines them here. Where applicable, the Company restates and incorporates by reference its legal and factual arguments in support of each Exception as if fully set forth in this Brief on Exceptions. Exceptions that are meant to address only typographical errors or obvious clarifications are not included in the outline below.

IV. Rate Base

IV.B.1. Northern Region Reporting Center and IV.B.2. Plant Additions - The Original Cost Determination: The Company has clarified these paragraphs with proposed Commission findings.

IV.C.4. Gross Plant-The Accuracy Of Nicor's Estimated Plant Additions For 2008 and 2009. Nicor Gas disagrees with the Proposed Order's conclusions, and has proposed alternative language in its Exceptions. For additional support of its position, the Company refers the reader to its testimony and briefs. *See* D'Alessandro Reb., Nicor Gas Ex. 18.0, 9:201-10:226; D'Alessandro Sur., Nicor Gas Ex. 37.0, 12:272-14:312; Nicor Gas Initial Brief at 21; Nicor Gas Reply Brief at 16.

IV.C.5. Accumulated Reserve for Depreciation and Amortization (“Depreciation Reserve”). Nicor Gas disagrees with the Proposed Order’s conclusions, and has proposed alternative language in its Exceptions. For additional support of its position, the Company refers the reader to its testimony and briefs. Gorenz Dir., Nicor Gas Ex. 11.0, 14:298-15:317; Gorenz Reb. Corr., Nicor Gas Ex. 26.0, 16:339-19:401; Gorenz Sur., Nicor Gas Ex. 45.0, 15:325-17:362; Nicor Gas Initial Brief at 22; Nicor Gas Reply Brief at 18-20.

V. Operating Expenses

V.C.1. Incentive Compensation Costs and Expenses. Nicor Gas disagrees with the Proposed Order’s conclusions, and has proposed alternative language in its Exceptions. For additional support of its position, the Company refers the reader to its testimony and briefs. Bacidore Dir., Nicor Gas Ex. 7.0, 6:118-11:246; Bacidore Reb., Nicor Gas Ex. 22.0; Bacidore Sur. Corr., Nicor Gas Ex. 41.0, 2:33-3:62; Nicor Gas Initial Brief at 29-30; Nicor Gas Reply Brief at 21.

V.C.2. Uncollectible Accounts Expense. Nicor Gas disagrees with the Proposed Order’s conclusions, and has proposed alternative language in its Exceptions. For additional support of its position, the Company refers the reader to its testimony and briefs. Gorenz Dir., Nicor Gas Ex. 11.0, 21:458-22:482, Nicor Gas Ex. 11.1, Sch. C-1, Col. D; Gorenz Reb. Corr., Nicor Gas Ex. 26.0, 36:780-38:833; Gorenz Sur., Nicor Gas Ex. 45.0, 6:132-8:165; Kirby Dir. Corr., Nicor Gas Ex. 6.0, 18:383-19:404; Kirby Reb., Nicor Gas Ex. 21.0, 17:366-22:478; Kirby Sur., Nicor Gas Ex. 40.0, 2:40-4:84; Nicor Gas Initial Brief at 31; Nicor Gas Reply Brief at 23.

V.C.3. Rate Case Expense. Nicor Gas disagrees with the Proposed Order regarding the appropriate amortization period for Rate Case Expense, and has included language within its

Exceptions that support its proposed 4-year period. In support of this position, Nicor Gas incorporates its position as articulated in its testimony and briefs. Gorenz Reb. Corr., Nicor Gas Ex. 26.0, 38:834-40:884; Gorenz Sur., Nicor Gas Ex. 45.0, 14:296-306; Nicor Gas Initial Brief at 35; and Nicor Gas Reply Brief at 27.

V.C.4. Payroll/Headcount. Nicor Gas has suggested clarifying the AG/CUB position by eliminating repetitive language.

V.C.5. Mains and Services Expense and V.C.6. Customer Records and Collections Expense. The Company has clarified these sections by including proposed Commission findings.

VII. Cost of Service and Allocation Issues

VII.C.1. Main Size Allocation. Nicor Gas has included in its Exceptions a Commission finding intended to support the Proposed Order's reasoning.

VII.C.2. Allocation of Storage Costs to Unbundled Rate Classes. Nicor Gas disputes the Proposed Order's analysis on this issue. The Exceptions language that Nicor Gas has proposed makes it clear that the Commission is approving the Company's ECOSS and storage cost allocation methodology, as set forth in Nicor Gas testimony and briefs. Mudra Dir. Corr., Nicor Gas Ex. 14.0; Mudra Reb. Corr., Nicor Ex. 29.0; Mudra Sur. Corr., Nicor Gas Ex. 48.0; Nicor Gas Initial Brief at 63; and Nicor Gas Reply Brief at 58.

VII.C.3. Interclass Allocation Issues. The Company added language to clarify the rationale behind the use of gradualism in setting residential rates, and provides additional language for inclusion in the Commission analysis to clarify how the allocation is to be implemented.

VIII. Rate Design

VIII.C.1. Rate 1 Design. The Company has added language to address its position on increasing the Monthly Customer Charge. Nicor Gas fully presented its rationale in testimony and briefing in this proceeding. *See* Mudra Dir. Corr., Nicor Gas Ex. 14.0; Mudra Reb. Corr., Nicor Ex. 29.0; Mudra Sur. Corr., Nicor Gas Ex. 48.0; Nicor Gas Initial Brief at 68-73; Nicor Gas Reply Brief at 62-76.

VIII.C.5. Rates 5 and 75 Design. Nicor Gas has added alternative language to the Analysis and Conclusion section in an effort to clarify the nature of the subscription proposal agreed upon by the Company and Vanguard (as approved in the Proposed Order.)

IX. Tariff Revisions Affecting Transportation Customers.

IX.C.1. Reduction of Maximum Daily Nominations (the “MDN”) in the Months of July through October, and in the Months of March and April and May. The Company has made some clarifications to its Position section and eliminated some redundant language. Additional language regarding Nicor Gas’ operational storage plan has been added, because Nicor Gas believes that consideration of its operational storage plan is critical for a determination of the issue. A discussion of the Nicor Gas-CNE agreement regarding MDN rights and an explanation of the agreement was included in the Nicor Gas Position section. The Commission Analysis and Conclusion section is therefore revised to delete the Proposed Order’s finding regarding MDN restrictions and eliminate the Proposed Order’s discussion regarding the Company’s “failure to show harm,” which is an inappropriate standard and especially inappropriate in the face of an agreement with the primary Transportation customer opposing the MDN reductions. *See* Bartlett

Dir. Corr., Nicor Gas Ex. 4.0, 24:505-26:545; Bartlett Sur., Nicor Gas Ex. 38.0, 33:739-34:771; Nicor Gas Initial Brief at 81-83; Nicor Gas Reply Brief at 82.

IX.C.2. Storage Calculations. Nicor Gas has completely replaced the Proposed Order's language regarding Storage Calculations to accurately reflect its positions and to properly acknowledge and adopt the agreement between Nicor and CNE. Nicor and CNE agreed to a 142.37 Bcf assumed on-system storage capacity, which is supported in the record and is appropriately used for the calculation of the SBS capacity or entitlement, SBS charge and SBS Critical Day withdrawal rights. The agreement between Nicor and CNE should be accepted as *prima facie* evidence of reasonableness and approved in this proceeding.

Additionally, language addressing the issue of Storage Capacity was added because it was not addressed in the Proposed Order.

IX.C.3.b UFGA. Nicor Gas has provided replacement language regarding the UFGA. The proposed Order correctly characterizes the Company's positions yet its Analysis and Conclusion does not properly recognize the lack of nexus between UFGA and SLA. As such, while the Company agrees to prospective measures actions regarding SLA, such actions are unnecessary for UFGA. The Analysis and Conclusion section is therefore revised to delete the Proposed Order's requirement that Nicor review its UFGA methodology, consult with Staff, and make revisions to UFGA.

IX.C.6. Trading of Stored Gas. The Company has revised the Proposed Order's recitation of Nicor Gas' position to include elements of its position which are critical for the Commission's consideration and finding. The Company's proposed language rejects the adoption of Staff's proposal, and recognizes that Staff's proposal goes well beyond questioning

whether the Company's proposal is a reasonable one and instead improperly imposes an exacting standard which goes beyond even that to which the parties have agreed. *See* Mudra Sur. Corr., Nicor Gas Ex. 48.0, 54:1176-55:1201; Nicor Gas Initial Brief at 93; Nicor Gas Reply Brief at 93.

XII. New Riders

XII.A.1. Rider 28 - Volume Balancing Adjustment. While Nicor Gas agrees with the Proposed Order's decision approving Rider VBA, the Company has provided Exceptions language which further supports its position and which clarifies how Rider VBA is to function. *See* O'Connor Dir., Nicor Gas Ex. 12.0, 20:344-26:474; O'Connor Sur., Nicor Gas Ex. 46.0, 13:269-15:314; Mudra Dir. Corr., Nicor Gas Ex. 14.0, 43:946-47:1029; Mudra Reb. Corr., Nicor Gas Ex. 29.0, 52:1099-1106; Mudra Sur. Corr., Nicor Gas Ex. 48.0, 59:1287-66:1443; Nicor Gas Initial Brief at 108-111; Nicor Gas Reply Brief at 107.

XII.A.4. Rider 29 - Energy Efficiency Plan. Nicor Gas agrees with the Proposed Order's conclusion insofar as it adopts the Company's proposal; however, the Company disagrees with the Proposed Order's determination regarding Management Structure, and so has provided two alternatives for language to be included in the Commission Analysis and Conclusion section. In support of this position, Nicor Gas incorporates its argument as articulated in its testimony and briefs. O'Connor Dir., Nicor Gas Ex. 12.0; O'Connor Sur., Nicor Gas Ex. 46.0, 15:316-17:360; Nichols Dir., Nicor Gas Ex. 13.0; Nichols Reb., Nicor Gas Ex. 28.0; Nichols Sur., Nicor Gas Ex. 47.0; Mudra Dir. Corr., Nicor Gas Ex. 14.0, 47:1030-49:1091; Mudra Reb. Corr., Nicor Gas Ex. 29.0, 56:1187-91; Mudra Sur. Corr., Nicor Gas Ex. 48.0, 66:1445-51; Nicor Gas Initial Brief at 112-18; Nicor Gas Reply Brief at 108-14.

XIII. Terms and Conditions

XIII.B.1 Non Sufficient Funds (“NSF”) Charge. Nicor Gas has provided Exceptions language to address its disagreement with the Proposed Order’s finding regarding the NSF Charge.

XV. Gross Revenue Conversion Factor

The Company has added an alternative Gross Revenue Conversion Factor that should be applied should the Proposed Order’s approval of Staff’s uncollectible expense rate of 2.25% remain in the Post-Exceptions Proposed Order. If the 2.25% rate is employed, the Gross Revenue Conversion Factor should be 1.6938277.

XVII. Finding and Ordering Paragraphs

Nicor Gas has included Original Costs findings language for clarification of the Finding and Ordering Paragraphs.